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## WORLD FINANCE AND WALL STREET

By R. W. VINCENT

NO loyal American citizen would think for a moment of attempting to prepare a financial article for a publication in either April or May, 1919, without giving first prominence to the Victory Loan for \$6,000,000,000, formal offering of which will be made by the government between April 21 and May 15. Needless to say that preparation for the campaign has been under way for many weeks. In Wall Street the team leaders will include, as in the case of previous loans, some of the most prominent bankers. The friendly rivalry that developed between J. P. Morgan, J. D. Rockefeller, Jr., Mortimer L. Schiff, and others in the earlier campaigns will be recalled. So far as organization and experience go, the plans for each successive offering are less difficult than for those preceding.

Mr. Carter Glass, Secretary of the Treasury, is an optimistic Virginian, as all Virginians are, chief of whom in the government service is John Skelton Williams, Comptroller of the Currency. He has several times expressed the opinion in public statements and addresses, with great confidence, that the April loan will be a complete success. Some observers in Wall Street and throughout the country are not so sanguine. They are calling attention to the fact that, with the signing of the armistice, and the actual cessation of hostilities, the enthusiasm bred of the war, could not help disappearing to a considerable extent. It is feared in some circles also that small investors will be a little shy about buying this issue, which is to be in the form of short-term notes

rather than bonds, simply because of their lack of familiarity with the former class of security.

One thing is certain. The government must have the money. This means in turn that all the notes must be taken by somebody. If the people of the country do not subscribe for their full quota, the only alternative will be for the banks to take them for a time, and make the distribution gradually, as investment conditions seem to warrant. This would be most unfortunate just at the present time. For some months our leading banks have put out their available funds very sparingly, feeling that, because of the many conditions of uncertainty in the situation, this money should be kept for emergencies on a large scale. This country is endeavoring to start its reconstruction work. The undertaking will involve many millions of dollars. If the banks should be called upon to take up several billions of the Victory Loan, their resources to that extent would be tied up for an indefinite period and would not be available for financing reconstruction undertakings.

The possible failure of the people to subscribe freely to the loan is a matter of first importance to those who are specially interested in the future of the speculative market for stocks. Every one familiar with the situation knows that the requirements of industrial and commercial enterprises for money must be met by the banks before they can justify the loaning of large sums to stock brokers for speculative purposes. It is easy to see, therefore, that if it should become necessary through a partial failure of the Victory Loan, for

the banks to curtail for a time their loans to business concerns, there could be little hope of stock-exchange houses getting enough money to carry on an active stock market. On the other hand, more than likely they would be called upon to pay off some of the loans previously made. This always results in lower prices for stocks, temporarily at any rate, because the customers who are carrying them in stock-exchange houses are requested by the latter to sell, in order that the collateral for bank loans may be released. Consequently it devolves upon all who wish to borrow money with which to speculate in stocks to subscribe for the Victory Loan on a good-sized scale. This, of course, is putting the matter purely upon a commercial and even selfish basis. As a matter of safe investment and of patriotism it is hoped, and even believed, that the notes will be freely and generally taken throughout the country.

For all who have funds left over after the campaign for the loan is out of the way, there will be excellent investment, if not speculative, opportunities, in the standard bonds and dividend-paying stocks. A word of consolation may be offered to any who failed to make money by participating in the upward movement that occurred in a large number of industrial stocks in March. The fact is that the standard shares advanced only in a small way. Much of the activity in the so-called "specialties" was undoubtedly due to manipulation by pool leaders, and not to conditions closely related to the affairs of the corporations represented on the stock exchange by those securities.

With greater stability in general business conditions and with greater confidence as to the future of business in this country, that are looked for after the Victory Loan, the best dividend-paying industrial and railroad stocks ought to be

in greater favor with speculators, as well as investors. A substantial buying movement of them would undoubtedly result in big price advances. At the present time these stocks and best bonds are selling at a low level, if we are to have the revival of business in the United States that is predicted by Judge E. H. Gary and other prominent industrial leaders.

During the last few weeks, largely because of the near approach of the Victory Loan, and also because of the monetary conditions to which reference has been made, our corporations have not been doing any big financing through their bankers. Various departments of the federal government, however, have been called upon to do emergency financing. Some of it has been of a decidedly novel character. The situation developed largely out of the filibuster of Republican leaders in Congress, during the final days of the last session, which made it impossible to pass what is known as the General Deficiency Bill. This year that measure included a provision calling for \$750,000,000 for the United States Railroad Administration. About the middle of March it was realized that the government had no money in sight to pay its rental to the railroads, so that they would have funds to meet their April 1 bond interest and dividends.

Accordingly a scheme was evolved which provided for the issuance of certificates of indebtedness by the Railroad Administration to the railroads, which the latter could use as collateral with the War Finance Corporation for a loan. To secure this loan, however, the railroads had to give their notes bearing 6 per cent interest, whereas the certificates bore only 5 per cent. In other words, the railroads were called upon to borrow money from the government, on their own notes, which the government owed them on account of

rental for the use of their properties. This is certainly a great piece of financing for the United States Government in this day and generation.

Our leading bankers are still taking a keen interest in the foreign situation. Thomas W. Lamont, of J. P. Morgan & Co., remains on the other side as one of the principal financial advisers of President Wilson. A few weeks ago Seward

Prosser, President of the Bankers Trust Co., and Charles H. Sabin, President of the Guaranty Trust Co., both of which institutions are closely allied with the house of Morgan, left for Europe, partly for a vacation but largely, it is understood, to study conditions preparatory to the making of large loans to some of the principal Entente nations, and perhaps some of the smaller ones as well.

## WHEN TO BEGIN THE GARDEN

BY STEPHEN LEACOCK

IT appears that the right time to begin gardening is last year. For many things it is well to begin the year before last. For good results one must begin even sooner. Here, for example, are the directions, as I interpret them, for growing asparagus. Having secured a suitable piece of ground, preferably a deep friable loam, rich in nitrogen, go out three years ago and plough or dig deeply. Remain a year inactive, thinking. Two years ago pulverise the soil thoroughly. Wait a year. As soon as last year comes set out the young shoots. Then spend a quiet winter doing nothing. The asparagus will then be ready to work at *this* year. This is the rock on which we were wrecked. Few of us were men of sufficient means to spend several years in quiet thought waiting to begin gardening. Yet that is, it seems, the only way to begin. Asparagus demands a preparation of four years. To fit oneself to grow strawberries requires three. Even for such humble things as beans and lettuce the instructions inevitably read, "plough the soil deeply in the preceding autumn." This sets up a dilemma. *Which* is the preceding autumn? If a man begins gardening in the spring, he is too late for last autumn and too early for this. On the other hand, if he begins in the autumn he is again too late; he has missed this summer's crop. It is therefore ridiculous to begin in the autumn and impossible to begin in the spring. This was our first difficulty. But the second arose from the question of the soil itself. All the books and instructions insist that the selection of the soil is the most important part of the gardening. No doubt it is. But if a man has already selected his own backyard before he opens the book, what remedy is there?